

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C.**

In the Matter of)	
Wireline Competition Bureau)	
Seeks Comment on)	WC Docket No. 10-188
Business Broadband)	
Marketplace)	

Comments of One Economy Corporation

**Ken Eisner
Managing Director, OE Ventures
One Economy Corporation
1220 19th Street NW
Suite 610
Washington, DC 20036
(202) 393-0051**

Executive Summary

The Federal Communications Commission (FCC) filed a public notice requesting comment on the business broadband marketplace, “regarding the current state of, and trends and issues in, business broadband markets” along with “other facts or issues that would aid in our understanding of the business broadband marketplace.” One Economy’s experience and expertise in low-income communities puts a heavy responsibility on our organization and others to shine a spotlight on small businesses in these communities. As noted below, small businesses and entrepreneurs have been, and must continue to be, the major engine of economic growth and job creation in the nation. Small businesses in the communities that we focus on, those hit hardest by the recession, stifled by a loss of manufacturing or traditional industry, and/or cut off from the benefits of broadband and digital technologies and services, must be key constituents in plans for the business broadband market.

In order to stimulate this sector through broadband and digital means, One Economy recommends that the Commission place significant emphasis on digital adoption strategies for small businesses from these communities. In the paragraphs below, we lay out ideas that can serve as a foundation for adoption strategies and support the Commission’s blueprint for the sector. Our preliminary recommendations, made in detail below, include:

- **Applying the FCC’s “Data-Driven Decision Making” Mandate:** Among small businesses in low-income and minority communities, there is a dearth of easily accessible data as to: the awareness of the benefits of broadband; digital and technology literacy; the prevalence of corporate websites, online marketing, e-commerce, and m-commerce; and the price of business broadband relative to the perceived value of broadband. In order to properly assess needs and plan solutions, more data is required. We suggest parameters for data collection later in the document.
- **The Vital Role of Awareness:** In the communities that One Economy serves, we have witnessed low levels of awareness to the need for business-grade broadband and extremely low levels of understanding about the role that online marketing, e-commerce, and corporate websites can play for small businesses. Raising awareness and bridging the knowledge gap will be vital in creating digital ecosystems for small business growth.
- **Encouraging Digital and Technology Literacy:** Preliminary research suggests an extremely low level of digital and technology literacy for small businesses from our communities. We recommend attacking this obstacle through structured digital literacy programs, technology literacy and support, and technology procurement programs. To locate appropriate paid and volunteer service staff, digital and technology literacy service providers could engage: youth and young adults, as

utilized in One Economy's Digital Connectors program; universities, preferably through business and technology student internships and volunteer programs; technology sector businesses, particularly through volunteer programs in the broadband community.

- **Facilitating Online Marketing, E-Commerce, and M-Commerce:** In addition to supporting technology acquisition for small businesses in low-income communities, we must help to provide awareness, engagement, and acquisition of technologies that have greatly lowered the total cost of ownership for small businesses. Cloud computing, utility-based computing, freeware, and open source tools are slashing fixed costs and lowering variable costs to the level of affordability for small businesses. To bolster this opportunity, we need to develop public-private partnerships with the broadband, software, hardware, and non-profit sectors to tailor offerings, training, and pricing specifically for small businesses in low-income communities.
- **Promoting Opportunities for Home-Based Entrepreneurs:** Activities to invigorate the start-up community must also include a focus on home-based entrepreneurs and business broadband options for these purchasers. We recommend a specific focus on home-based entrepreneurs in the planning stage.
- **Creating Entrepreneurship Zones:** Regarding a medium-to-long term focus, we recommend a cross-agency, public-private collaboration to stimulate entrepreneurship and technology entrepreneurship in low-income communities. We recommend the creation of strategies to support education, business development, investment, and digital ecosystems, along with suggesting that the Small Business Administration's Historically Underutilized Business Zones, the Department of Education's Promise Neighborhoods, and/or One Economy's Broadband Technology Opportunities communities could be used to pilot such activities.

About One Economy

One Economy is a global nonprofit that uses innovative approaches to deliver the power of technology and information to underserved communities, connecting them to valuable tools for building better lives. Since its founding in 2000, One Economy's mission has been to maximize the potential of technology to help low-income people enter the economic mainstream. We bring broadband into the homes of low-income people, employ youth to train members of their communities to use technology effectively, and create public-purpose media that inspires, informs and engages. We have also been a leader in financial literacy services through digital means.

In recognition of our work, One Economy was awarded the largest broadband adoption stimulus grant by the federal government, extending our work to more than 31 states and 19 target communities, where we are providing free broadband

access to low-income households, localized content, mobile applications, technical assistance, digital adoption services through our Digital Connectors program, , and a national awareness campaign.

Some highlights of our work include:

Broadband and Mobile Access: One Economy works with top-of-market partners to facilitate the deployment of broadband into the homes of low-income individuals. To date, One Economy has brought broadband Internet access into the homes of 375,000 low-income Americans. In 2005, One Economy began a \$38 million partnership with AT&T's AccessAll initiative, a multi-state adoption project with Habitat for Humanity and HUD, that has connected thousands of low-income households across the country to broadband Internet. One Economy has established relationships with more than 500 community partners to provide digital adoption services in more than 200 communities across 19 states. We have also leveraged national partnerships to connect low-income users to social services and other resources that will improve their lives.

Digital Connectors: To help foster a culture of technology use and understanding, we leverage the natural affinity that young people have for technology. One Economy's Digital Connectors program is a youth development model that identifies talented young people (ages 14 to 21) from low-income communities, immerses them in technology training, and provides valuable workforce and leadership skills in preparation for participation in the new economy. Using a combination of structured lessons, experiential learning, and on-the-job experience, the Digital Connectors program trains and employs young people to promote and support the adoption and use of technology among families and individuals in their respective communities. Over 3,000 youth have contributed more than 77,000 hours of community service thus far.

Digital Content and Applications: While One Economy has helped to bring technology into affordable housing around the country, we believe that access is only a means to an end; it is less relevant if people cannot use it to access content that they can use to raise their standard of living and connect to the economic mainstream. To that end, One Economy creates responsible, public purpose media properties, most notably The Beehive (www.thebeehive.org), an online, multi-lingual, self-help consumer portal that offers national and local information and services to support the needs of low-income people. We have also launched a Social Innovation Lab to create "public purpose" mobile and online applications that target the needs, usage patterns, and devices of people from low-income, disadvantaged, or minority communities. Over 18 million people have visited our media properties.

Why We Must Focus on Digital Adoption for SMBs in Low-Income Communities

The Small Business Administration highlights the impact small businesses play in minority and low-income communities, where starting a business is a primary way for people to escape poverty and amass wealth.¹ Accounting for more than half of all private sector employment, small business in the United States is integral to the country's economic well-being and is commonly praised as generating 65% of national job growth between 1993 and 2008.² For this reason, in the midst of an economic downturn, the American public increasingly looks towards the small business community as a vehicle for growth and opportunity.

For this sector to act as a catalyst for economic development, particularly amid low-levels of confidence in the economy, it must increase its ability to take advantage of technology to increase revenue and efficiency. Similar to larger firms, which are equipped to take advantage of the national build-out of Information and Communication Technology (ICT) infrastructure, small businesses and microenterprises need to leverage broadband, digital technologies, and related services to become more globally competitive and recession resilient. However, the digital divide, manifest in the lack of broadband adoption in disadvantaged urban, minority, and rural communities, extends to small businesses in these communities as well and limits their potential for growth.

To address the complexities of digital exclusion as it relates to small business development, we must take into consideration the full range of factors, both on the demand and supply side, which inhibits certain small businesses from maximizing the benefits of broadband services. The untapped benefits that broadband access presently offers businesses include, but are not limited to, information on business planning for startup and nascent companies, complements and substitutes for certain production inputs in a supply chain, opportunities for online marketing and contextual advertising, and the ability to increase sales through e-commerce. Referencing a survey of 680 small businesses by Barlow Research, 49% of small businesses in the United States had a web presence as of 2008.³ However, as One Economy has noticed extensively in our work, businesses with annual revenues over \$1 million were over 50% more likely to have a web presence than those with revenues of less than \$500,000. This figure is demonstrative of the massive gap that exists between thriving businesses and smaller, community businesses with limited success integrating the Internet and broadband into their general operations.⁴ An accurate assessment of small business Internet usage, currently limited by the

¹ Fairlie, Robert. "Minority Entrepreneurship." Minority-Owned Business Research U.S. Small Business Administration, Office of Advocacy Dec. 2005: 25 pages. www.sba.gov/advo/research/sbe_05_ch04.pdf

² United States Small Business Administration's Office of Advocacy. "Frequently Asked Questions." Sept. 2010: 2 pages. <http://www.sba.gov/advo/>

³ Barlow Research. "Over 70% of the Largest Small Businesses Have a Website." Barlow Research Analyst's Journal. March 2009.

⁴ Barlow Research. "Over 70% of the Largest Small Businesses Have a Website." Barlow Research Analyst's Journal. March 2009.

minimal amount of easily accessible information on those operating in low-income communities, will likely show that these communities receive disproportionately fewer benefits available in a digital age.

On the demand-side, pervasive deficits of understanding about the benefits of Internet connectivity and the importance of digital and technical literacy amongst both consumers and business owners impact the profitability of companies in isolated areas. According to a recent review of Internet usage amongst minority business owners in the United States, many small businesses appear closed to the possibilities of web-based innovation due to a lack of internal Web expertise and claims that certain products are not compatible with online marketing.⁵ Moreover, for those business leaders open to upgrades and innovations, they still must tailor their delivery of products and services to the demographics of a targeted consumer group, making levels of household broadband adoption relevant to small business usage. If local consumers are not active online, or business owners are not aware of their activity, community businesses have less incentive to begin or continue an online presence and digital investment.

Supply-side pricing models, and the way they match the value propositions of small businesses, also need to be taken into consideration when we talk about overcoming obstacles to adoption. Throughout low-income neighborhoods in the United States, One Economy has found that consumers and businesses are willing to pay for broadband service after overcoming hurdles of digital literacy and relevance. Once they understand the true value of broadband and the Internet, their willingness to pay more for broadband rises. Today, this is even more true for small businesses, as cloud computing (e.g. Amazon Web Services, Google App Engine, and Microsoft Azure), open source e-commerce platforms (e.g. Magento and OSCommerce), and freeware (e.g. Google Analytics and Google Docs) have dramatically lowered the fixed price for entry and the variable price for usage of business-grade products.

Some small businesses simply do not have any available cash flow to pay for broadband or support e-commerce, even though the benefits could be significant. Broadband access by end-users in the community also plays a role in these pricing considerations: small businesses experiencing doubt about Internet use amongst their constituencies may relegate the use of Internet, the development of an Internet strategy, or the full integration of the Internet into business practices as a lesser priority and, subsequently, deem the price of broadband access as too much for too little. For enterprises operating strictly on a community model, uncertain returns on digital innovations leave many concentrating efforts on current, local customers, leaving nontraditional markets unexplored. To address the value-proposition and ability to pay question, we must address digital adoption obstacles and consider methods to subsidize entry for small businesses that could otherwise not afford the investment.

⁵ Lownes-Jackson, Millicent and Guy, Retta Sweat. "A Review of Internet Usage Among Minority-Owned Businesses in the United States." Proceedings of Informing Science and IT Education Conference (InSITE) 2010: 431 – 437

Applying the FCC's "Data-Driven Decision Making" Mandate

The FCC has made the wise move to mandate "data-driven decision making," relying in large part upon the collection of appropriate data and the open publication of that data. This mandate needs to be applied to bolster our knowledge about the small business market. Through an extensive search,, we found precious little data published about small businesses located within low-income or economically distressed markets. At least, precious little is published for the general public in an easily discernable manner.

The FCC has put a premium on collecting data on home broadband adoption, and this data has been used to develop arguments and programs based around the need to overcome the barriers to adoption. In line with the methods and resulting publications of John Horrigan, both while he was on the National Broadband Team and while he was at the Pew Internet and American Life Project, we must extend efforts and gather facts on small business broadband use.

Cross-cutting small business segments targeted for data collection should include:

1. Small businesses located in low-income or economically-distressed zip codes
2. Small businesses that cater to low-income communities
3. Small businesses run by minorities
4. Small businesses run by different age groups
5. Small businesses run by persons whose primary language is not English
6. Small businesses run by persons with disabilities

Similar to efforts surrounding home broadband adoption, we need to use reliable data collection mechanisms to assess the barriers to broadband adoption across the aforementioned cross-cutting small business segments, such as:

1. Lack of awareness of the benefits of broadband
2. Lack of awareness of the benefits of e-commerce
3. Lack of awareness of the benefits of Internet marketing
4. Lack of awareness of the benefits of e-procurement and other supply chain innovations
5. Lack of content relevant to their needs
6. Lack of appropriate content in their language
7. Lack of digital literacy about broadband
8. Lack of digital literacy about e-commerce
9. Lack of digital literacy about Internet marketing
10. Lack of digital literacy about e-procurement and other supply chain needs
11. Pricing options that are too expensive, relative to perceived value
12. Pricing options that are too expensive, relative to ability to pay

Just as important, the data should highlight the percentage of small businesses across the cross-cutting segments that utilize / have the following:

1. Broadband access

2. Online marketing efforts
3. E-commerce websites
4. E-procurement or other supply chain innovation
5. Gaining information about running their business online
6. Raising funding through information or access gained online
7. Utilization of online government programs, as those through the SBA

The Vital Role of Awareness

From the limited data presently available, we can surmise that small businesses that do not utilize broadband have not overcome the barriers to broadband adoption. Similar to the barriers to home adoption, we expect these barriers to be limited awareness of the benefits of broadband, digital literacy, relevant content or tools, and pricing relative to perceived value or ability to pay. Increased awareness of the benefits of broadband for small businesses and what they can and should be doing online is absolutely vital to the productivity of this sector, especially those that operate with socio-economic disadvantages or in socio-economically disadvantaged communities.

Broadband enables easy access to information for small businesses, yet One Economy has found that a large gap exists between the benefits that accompany this information and the knowledge of these benefits by the communities that we target. Online information can be vital to business plan development, funding opportunities, communication with peers, the relative pricing of products and services by others selling comparable goods, and opportunities to expand markets or cut costs. One Economy delivers a wealth of small business content on our Beehive (www.thebeehive.org) website, and we have drawn a great deal of traffic to this content. Without this information, certain small businesses are at a disadvantage relative to their peers who have the information relevant to true market opportunities. Once the gap between benefits and the knowledge of these benefits is bridged, it will be much easier to convince individuals or businesses that they must gain access to broadband.

Online marketing and e-commerce present enormous opportunities to increase market penetration or expand geographically, yet only a small percentage of small businesses that operate in low-income communities truly take advantage of these offerings. We need to cultivate awareness of the vital role that online marketing and e-commerce can play for small businesses. Most of this messaging will need to be delivered by community-based organizations to the many small, local businesses that populate low-income communities. We will need to overcome basic misconceptions, such as the notions that it will be very expensive to launch a simple Web page, that services cannot be positioned for e-commerce, and that a small business has an extremely limited geographic reach.

Encouraging Digital and Technology Literacy

One Economy has developed one of the most successful digital literacy programs, called the Digital Connectors. Digital Connectors are youth, aged 14-21, who are recruited from low-income communities to undergo our extensive digital, media, financial, and technology literacy curriculum. Once developing a skill set, they go back into their communities to perform volunteer activities as technology ambassadors. This highly successful program has received funding from many private partners (including Comcast, AT&T Wireless, and Verizon Wireless) and foundations, in addition to receiving significant funding from the federal stimulus' Broadband Technology Opportunities Program (BTOP). This program works well because it leverages youth, who tend to be the most comfortable with technology and digital advances, AND because it utilizes people from the community as ambassadors.

Based on the outcomes of our Digital Connector's model, we recommend that policies and programs to assist small businesses, the engines of growth for our economy, concentrate on:

- **Digital Literacy Training:** It is essential to make small businesses comfortable with the digital technology that they use, such as computers, mobile phones, and basic networks. Training provided by youth or young adults, modeled after or part of our Digital Connectors would be excellent for this program. We also recommend partnerships with business schools or technology programs in universities, who could provide support through internships or volunteer roles. Engaging the technology community or private sector and eliciting the assistance of tech-savvy firms or large private companies with extensive resources would be additionally helpful in disseminating information to struggling small businesses.
- **Purchasing Support:** With the lightning speed at which technology is advancing to provide affordable solutions for small businesses, such as cloud data storage, "freeware" document solutions, open source platforms, and utility-based computing, small businesses who are aware of and able to integrate these options can greatly reduce their cost of entry and usage. To learn of these options and discern choices, small businesses without access to this information will need support. Bringing in private companies and intermediaries to support this process, and potentially negotiate further deals for small businesses from disadvantaged communities, could be extremely effective. Such a win-win coalition, in collaboration with on-the-ground partners, could also help aggregate demand for these businesses, helping to grow their revenue in hard-to-reach markets.
- **Technology Support:** Working to improve the technological skills of small businesses, and enabling them to take advantage of broadband and new technologies, should be an important goal of new policies and programs.

Small businesses in the 21st century need to be equipped with the ability to make decisions, manage their digital infrastructure, and fully leverage their platforms. Whether this includes training small businesses from disadvantaged communities on coding for online or mobile platforms, providing external networking support or help desks, or developing partnerships with local community colleges or universities, improving the technological capacity of small businesses should be an important goal of our efforts. The groups identified in the promotion of digital literacy could also support this need. (One Economy's Community Technology Associates would substitute for Digital Connectors in this instance.)

Facilitating Online Marketing, E-Commerce, and M-Commerce

The Web and mobile platforms offer a wealth of revenue expanding or cost-cutting opportunities for small businesses. At a very basic level, a website presence offers consumers an opportunity to find store locations, see store hours, and find out more about the company. Simple tools can help that company become linked to search and mapping efforts, and help customers locate, call, or visit companies that are relevant to them. Online marketing, beginning with search optimization and expanding into paid search or social media, will increase traffic to the website and to the store. Furthermore, an e-commerce presence for a product or services company will help motivate a direct sales purchase.

Forrester projected that, in 2010, 46% of all retail sales would be influenced by the online channel.⁶ For small businesses that do not take advantage of online presence, online marketing, and e-commerce (and soon to be mobile marketing and m-commerce), the opportunity to execute or influence a sale through digital means will be completely missed; consequently these businesses will fail to maximize their opportunity to grow their business and will fall further behind digitally-enabled competitors.

Once again, it is important to mention that cloud and utility-based tools, freeware, and open source offerings that target the small business market are revolutionizing the industry by making it much more economical for a small business to become digitally-enabled. To ensure that we help small businesses from low-income communities maximize this opportunity, One Economy recommends:

- Educating small businesses about the need to develop an online presence, online marketing, and e-commerce offerings
- Creating networks of nonprofit community leaders and private sector providers, including software players (e.g. Amazon, Google, and Microsoft), broadband players (e.g. AT&T, Comcast, and Time Warner), and hardware

⁶ Sehgal, Vikram. "Web-Influenced Retail Sales Forecast (US)." ForecastView Spreadsheet. *Forrester Research*, Feb 2010

- manufacturers, who agree to tailor and contextualize small business offerings for minority, disabled, low-income, and rural communities
- Providing incentives to innovative organizations and public-private partnerships committed to helping address these problems
- Providing technical assistance to targeted small businesses in order to help them become digitally-enabled

Promoting Opportunities for Home-Based Entrepreneurs

Home-based entrepreneurs will also play a vital role in stimulating small business growth in these communities, whether for an individual's company or as home base for a burgeoning start-up. Business broadband offerings that deliver high-quality products and enable home-based entrepreneurs to grow full-fledged small businesses will be vital to new business and job growth in low-income communities. One Economy recommends that we ensure home-based entrepreneurs are not only part of the conversation but one of the prime targets for broadband offerings and programmatic support.

Creating Entrepreneurship Zones

In order to sustain small business growth in low-income communities, we need to foster technology leaders and advocates in these communities, in addition to encouraging new investment and improving education. As the Commission works on the broadband and digital agenda for these communities, it should also work hand-in-hand with the Department of Education, Department of Labor, Department of Commerce, the Small Business Administration, and other federal, state, and local agencies to ensure that there is a cohesive approach to the creation of sustainable small businesses in these communities. Small business entrepreneurship and technology entrepreneurship are optimal paths to success for the nation and for these communities, and we need to be innovative, strategic, and aggressive with our strategies. If business growth continues to be emphatically centered in Silicon Valley, where over 50% of venture capital funds are placed, then we will be leaving small businesses and communities located in low-income regions further behind.

In addition to advocating for digital adoption in low-income communities, One Economy suggests cross-agency collaboration, involving the public and private sectors, to devise strategies to:

- Incentivize and support the development of technology entrepreneurship
- Partner with schools and universities to improve the level of technology and entrepreneurship education
- Increase private equity and venture capital investment in low-income communities
- Create digital ecosystems that support these strategies

Potential pilot communities for such activities could include:

- Historically Underutilized Business Zones or HUBZones: Small Business Administration program targeting small businesses in low-income communities to improve economic outcomes relevant to job growth, capital investment, and business development in established enterprise zones.
- Promise Neighborhoods: Department of Education program based on the Harlem Children's Zone that awarded grants to 21 communities across the nation in 2010 with the objective of buttressing schools, families, and communities to help children "attain an excellent education and successfully transition to college and career."
- One Economy's Broadband Technology Opportunity (BTOP) communities: One Economy is providing awareness, broadband access, training, and content in 31 states and 19 low-income communities across the nation. The stimulus investment could be additionally leveraged with programs that focus on small business creation and acceleration.